

Singapore's rule of law, zero tolerance for graft big draws for foreign investors: US diplomat

Republic is in third spot in graft watchdog Transparency International's 2018 Corruption Perceptions Index of countries deemed to have the least corruption in the public sector

By Angela Tan
angelat@sph.com.sg

Singapore

MORE than 4,500 American companies call Singapore home not just because of its strategic location but also because Singapore offers an excellent business climate – notably, the government's commitment to the rule of law and zero tolerance for graft, said a top American diplomat and several businessmen.

In an interview with *The Business Times*, Stephanie Syptak-Ramnath, the former chargé d'affaires at the US Embassy in Singapore, said that the United States and Singapore share the values of transparency, good governance and respect for a rules-based order.

"Singapore has earned its ranking as one of the least corrupt countries in the world. US companies regularly cite transparency and a lack of corruption as leading factors in their decision to invest here," she said.

She was the top American diplomat in Singapore for the past three years before leaving her post in late July. Her successor is Rafik Mansour.

According to graft watchdog Transparency International's 2018 Corruption Perceptions Index, Singapore has moved up three notches to third spot in an annual ranking of countries deemed to have the least corruption in the public sector, after Denmark and New Zealand.

Ms Syptak-Ramnath opined that "Singapore's commitment to the rule of law, lack of corruption, protection of intellectual property, and engaged policy-making process give US businesses confidence that their investments will thrive here".

The personalised support provided by the Economic Develop-



Ms Syptak-Ramnath says US firms choose to grow and expand in Singapore because they are confident in its environment.

ment Board (EDB) is also a major factor, especially for industry leaders focused on the future economy.

"American businesses look for investment opportunities in countries where the rules are clear, and innovation and hard work are rewarded – that's Singapore," Ms Syptak-Ramnath said.

While diverse factors contribute to Singapore's rapid economic growth over the years, one of the most instrumental has been the government's zero tolerance for graft, a responsibility that the Corrupt Practices Investigation Bureau (CPIB) undertakes stoically since the late Prime Minister Lee Kuan Yew took office in 1959.

Dwight Hutchins, chairman of the Board of Governors of the American Chamber of Commerce Singapore (AmCham), said: "The vast majority of American companies in Singapore report satisfaction with the lack of cor-



ruption (88 per cent), well above the average for the rest of Asean (52 per cent).

"The same survey respondents also reported high satisfaction with political stability. This is credited to the presence of the anti-corruption legislation such as the Prevention of Corruption Act (PCA) and an efficient CPIB, which reports directly to the Prime Minister's Office," added Mr Hutchins, who is also the Asia-

Pacific managing director, Strategy Consulting – Consumer, for Accenture.

CPIB's director Denis Tang believes that the strong political will to take firm and determined action against corruption in Singapore has been vital for national survival since the early days of nationhood.

"A clean system of governance and a society that eschews corruption is necessary to establish a conducive climate for businesses to thrive, and a level playing field to spur economic growth," Mr Tang said.

He added that over the years, Singapore's zero tolerance approach against corruption has given the

city-state a competitive advantage in attracting foreign investments.

"The CPIB is resolute and committed to fight corruption together with the public," Mr Tang stressed.

Graft undertaken or permitted by individuals at the highest levels of government is never tolerated. Take the cases involving former Minister of State Wee Toon Boon in the mid-70s; then-Minister for National Development Teh Cheang Wan in the 1980s; and former deputy chief executive (Operations) of Public Utilities Board (PUB) Choy Hon Tim in the mid-90s.

Business honchos agree that this "cleanliness" has given Singapore a competitive advantage. When top offi-

cials facilitate illicit actions, they undermine and destroy the trust and respect that those institutions ought to inspire. At the same time, their behavior encourages others – businessmen, union leaders, lower level public servants – to try to get a piece of the action. Private individuals can reap considerable benefit from such under-the-table dealings, but the social and economic cost to the country is enormous.

"It's akin to seeing one cockroach. If you see one, then there are probably a thousand running around behind the curtains. There is no such thing as a little bit of corruption. It is binary – a system is corrupt or it is not. There is no middle ground," said Jeff Chatfield, executive chairman of Avation plc, a London-listed aircraft lessor headquartered in Singapore (see side story).

Assured of this high level of incorruptibility, US companies venture to Singapore and its skilled labour force, scattered in a variety of fields – from banking to cyber security to consumer products – building new R&D centres in the city-state each year.

"Our companies are choosing to grow and expand in Singapore because they are confident in an environment that provides a talented workforce, cutting edge technology, transparency, accountability, reliability, and access to markets throughout Asia," Ms Syptak-Ramnath said.

Recent examples include Corteva Agriscience opening its Asia-Pacific office in Singapore, where it is working with farmers and consumers from across the region to develop agricultural solutions using cutting edge technology and innovation; and Cargill opening its own Innovation Center here, bringing research ideas from the laboratory to kitchens across Asia.

US foreign direct investment (FDI) in Singapore grew at an average rate of 27 per cent between 2011 and 2017. At US\$274 billion, US FDI is more than double that from any other single nation.

Singapore: too hot for the corrupted

CASE	SUMMARY OF FACTS	POINTS OF INTEREST
Navi Marine Services Pte Ltd	Chua Kim Leng Timothy was a director of bunkering firm, Navi Marine Services. He was involved in giving bribes to surveyors to overlook the quantity and quality of fuel supplied. Chua was sentenced in November 2003 to 10 months' imprisonment and fined S\$410,000 for corruption. All 42 surveyors involved pleaded guilty to accepting bribes and were fined between S\$6,000 to S\$100,000 for corruption.	Corruption in the bunkering industry is a perennial challenge that persists till this day as it is a lucrative scheme. The Corrupt Practices Investigation Bureau's (CPIB) perseverance ensures that corruption does not impede growth in vital industries like the maritime sector.
Glenn Defense Marine Asia (GDMA)	Gursharan Kaur Sharon Rachael, a former lead contract specialist of the US Navy, was sentenced to two years and nine months' jail for corruption and money laundering offences in July 2018. She had earlier been charged in 2015 for receiving more than S\$130,000 in bribes from Leonard Glenn Francis, the Malaysian CEO of maritime services GDMA, in exchange for sensitive US Navy information.	The CPIB worked closely with the US Department of Justice (DOJ), US Defense Criminal Investigative Service (DCIS) and the US Naval Criminal Investigative Service (NCIS) to conduct a joint investigation that resulted in the prosecution of Gursharan Kaur Sharon Rachael.
Apple Inc	In December 2013, Chua Kim Guan (left), former managing director of Jin Li Mould Manufacturing and Ang Kok Kiat (right), ex-sales director, were found guilty of bribing Paul Devine, a global supply manager at Apple Inc in exchange for information that could help Jin Li Mould secure contracts. Devine pleaded guilty earlier in the US Federal Court in February 2011 to wire fraud, conspiracy and money laundering.	The case, involving a well-known multinational corporation, served to warn companies and individuals of the CPIB's determination and tenacity to take the offenders to task.
Peter Lim Sin Pang	Peter Lim Sin Pang was the former commissioner of the Singapore Civil Defence Force (SCDF) found guilty of corruptly obtaining sexual gratification on 10 occasions between May 2010 and November 2011 from female vendors in exchange for contract awards with SCDF. In June 2013, he was sentenced to six months' imprisonment, and was officially dismissed from the public service on Aug 31, 2013.	The government and the bureau will prosecute offenders even if it meant embarrassment for the government. The strong political will and zero tolerance towards corruption foster public confidence and investors' confidence.
Choy Hon Tim	Choy Hon Tim was former deputy chief executive (operations) of the Public Utilities Board. He fled Singapore, but was eventually brought back and charged on Oct 27, 1995 for criminal conspiracy and accepting bribes totalling around S\$13.85 million. He was sentenced to prison for 14 years.	A corruption case involving a senior public officer and the largest total amount of bribe monies in the public sector.
Andrew Goh Keng Guan	Andrew Goh Keng Guan was the assistant head of the Talent Group with the Economic Development Board's (EDB) Resource Development Division. He was responsible for recommending applications for Permanent Residence (PR) under the EDB's Deposit Scheme. In 1998, Goh processed an application for Tse Kengchun, a Chinese businessman. Subsequently, Goh asked for a loan from Tse. When Goh wanted to repay the loan, Tse told him to keep it as a token of his gratitude for help in his PR application. Subsequently, Goh demanded S\$50,000 per successful application from Tse when the latter approached Goh for help for applications for his Chinese associates. Goh was sentenced to 26 months' imprisonment and ordered to pay a penalty of S\$380,000.	A case that could have serious consequences as it might compromise the security of the nation if dubious characters are not appropriately assessed for PR applications. As the scheme targeted entrepreneurs, their activities might tarnish the international reputation of Singapore or they may make use of Singapore's location as a financial hub to conduct illicit activities such as money laundering. This has far-reaching consequences negatively impacting Singapore as a credible locale for foreign investments.

Compiled by BT

Avation plc thrives amid city-state's successful graft battle

By Angela Tan
angelat@sph.com.sg

Singapore

WHEN the Singapore Economic Development Board (EDB) granted London-listed Avation plc a tax incentive under the Aircraft Leasing Scheme (ALS) in 2014, the company was already won over by the city-state's zero tolerance approach to graft.

Avation, a Singapore-headquartered commercial aircraft lessor which focuses on turboprop and jet aircraft in the Asia-Pacific and European region, liked the assurance that, once an investment is made, the company would not be blackmailed into providing bribes.

"This is why I love Singapore," Jeff Chatfield, the affable founder and executive chairman of Avation, told *The Business Times* (BT).

Mr Chatfield, a permanent resident of Singapore, is a strong believer that corruption is a killer of business.

"Where there is corruption in the environment, ultimately everything fails or struggles. It's akin to a cancer growing within a society. I personally think that whatever the founders of Singapore did, to kill that cancer, has provided for what is the norm now, and what we take for granted is a key to Singapore's success," he opined.

For Avation, Singapore's graft-free environment, coupled with robust corporate governance, is vital since the London Stock Exchange-listed company – which has a market value of more than £180 million (S\$302 million) – invests significant amounts of public money.

Having travelled to many places for business and leisure, Mr Chatfield shared how he witnessed countries that are blessed with natural resources and educated workforce flounder.

"I see the businesses fail and people struggle. Why? Because in small or large matters they are corrupt: the telephone service provider wanting S\$30,000 for the connection of a single phone line, the business registration service who will not process the creation of a company unless a "facilitation" side payment of S\$10,000 is made on the paperwork, the bank officer seeking money on the side for a loan, and so on."

Having started business here purely on the commercial opportunities, Mr Chatfield is very clear about



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one thing as he looks back at the past 14 years in business here.

"I now appreciate that were the Singapore environment not fair, not level, not tolerant, corrupt, we could not have survived this long.

"We turned about US\$0.7 million into about US\$1.3 billion without any marquee investors nor sophisticated capital, purely by hard work, some luck and lots of organic growth. We are deeply grateful to Singapore for providing the environment, with the local absence of corruption. For us, Singapore is a great environment and it's very difficult to criticise it in any way."

Mr Chatfield founded Avation in 2006 after Avation.Net Inc was spun out of the former AIM-listed Advent Air Ltd, the holding company of Skywest Airlines. The latter was eventually acquired by Virgin Australia in 2013 and renamed Virgin Australia Regional Airlines in a transaction funded by money raised in Singapore. "Avation was a spin-off from that. That was the big breakthrough," Mr Chatfield shared on the company's humble beginnings.

What began as a media and broadcasting service company rapidly expanded into the aviation sector, securing financing facilities from major banks to buy its first aircraft – a 100-seat Fokker 100 – leased and operated by Skywest Airlines.

Since 2014, operating profit has been up by 75 per cent at US\$58.6 million in FY2018, and revenues have

more than doubled to US\$109 million. Net asset value – a key metric for an aircraft lessor – has increased by 85 per cent since 2014.

Its fleet size has expanded to 47 aircraft, worth more than US\$1.2 billion as of end May 2019. The weighted average aircraft age is 3.6 years, excluding finance leases, and the weighted average remaining lease term is 8.0 years.

The number of airlines leasing its planes has risen to 17 across 13 countries. Key customers include Virgin Australia, Thomas Cook, Fiji Airways, Mandarin Airlines, Air India Regional, Flybe, Air France, easyJet, VietJet Air, EVA Air, Philippine Airlines, and airBaltic.

For the six months ended Dec 31, 2018, Avation's lease rental revenue grew 40 per cent on year to US\$58.2 million. Net profit was up 102 per cent to US\$13.6 million. The board declared and paid an interim dividend of 2.0 US cents per share.

Asked if Avation would consider a dual listing on the Singapore Exchange (SGX), Mr Chatfield said it would if there is investor interest. "If investors said that they would be interested in the shares or the bonds we would issue some here."

On what differentiates Avation from bigger players like BOC Aviation (BOCA) which boasts very deep pockets, Mr Chatfield said: "Avation is smaller, willing to do any type of aircraft including regional aircraft and at any age. BOCA likes brand new planes and traditionally does not do regional aircraft. Aside from all that, the industry is huge, there are many aircraft that need to be financed and the demands for finance is the limiting factor."

Looking ahead, he is optimistic about the outlook for the aviation industry. "Aircraft deliveries grow in parallel with passenger growth. There is huge passenger growth, so there will be demand for planes," he reckoned.

Aircraft lessors are also playing an increasingly more important role in the aviation industry, where leased aircraft now make up 40 per cent of the entire global commercial aircraft fleet.

Even if there is a downturn, Mr Chatfield remains confident, given that Avation typically writes eight to 10 year leases and downturns typically span two to three years.